

OL 02 files
T-B Rpts audit fp

MEMORANDUM FOR: Chief, Audit Staff/OIG

VIA: Deputy Director for Administration

FROM: James H. McDonald
Director of Logistics

SUBJECT: Report of Audit Appraisal: Contract
Information System

REFERENCE: Memo for D/L from C/AS/OIG, dated 8 August 1980,
same subject

1. Referent asked that I advise you of the actions taken on the recommendations contained in subject report. A summary of the recommendations and actions taken or to be taken are as follows:

Recommendation #1: Survey the contracting teams to determine the reasons for the low utilization of CONIF and take the corrective actions necessary.

Response: A memorandum will be sent to the various contracting teams requesting that they comment on the reasons for low utilization of CONIF. As you indicate, lack of ready access to terminals is a major contributing factor.

Recommendation #2: Establish a familiarization and training program for contracting team members and other CONIF users.

Response: The current periodic visits to the teams by CONIF staff members for rap sessions about CONIF capabilities has led to familiarization training. With the lack of terminals, the teams rely on the CONIF team for retrieval. The quick response provided by the CONIF team has given the contracting teams confidence in CONIF and they are using data with greater frequency. There will be a more formal training program regarding the use of CONIF once there are more readily accessible terminals for use by the teams.

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SUBJECT: Report of Audit Appraisal: Contract Information System

Recommendation #3: Provide up-to-date guidelines about what contracts to include in CONIF and require contracting teams to follow the guidelines.

Response: There is a continuing issuance of guidelines on CONIF requirements. Consideration is now being given to including small purchase actions in the CONIF database. A directive on the subject of procurement actions to be included in CONIF will be issued in the near future.

Recommendation #4: Identify elements needed by A&CD to update existing correlatives and consider developing additional correlatives.

Response: Audit and Certification Division has completed a survey to determine the data elements needed to update existing correlatives and for the development of additional correlatives. The results of this survey have been submitted to the Office of Finance/CONIF3/Database Manager for consolidation and determination of those correlatives required to be reprogrammed by ODP.

Recommendation #5: Assure that B&F officers initiate the RQ/ADD procedure to update CONIF on a timely basis.

Response: The Office of Finance/CONIF3/Database Manager has established a weekly notification procedure (extracted from the CONIF3 Database) alerting responsible B&F officers of returned contracts and amendments requiring RQ/ADD procedures be completed. This procedure has proven to be very successful in obtaining timely RQ/ADD updates by the responsible B&F offices.

Recommendation #6: Require the ODP Production Division to create and run the GSA/CONIF update each day.

Response: The standard procedure established between the Office of Finance and ODP Production Division is to create and run the GAS/CONIF update the night following a successful update of the GAS Database. Any deviation from this procedure is the result of ODP hardware or software malfunctions.

INTERNAL USE ONLY

SUBJECT: Report of Audit Appraisal: Contract Information System

Recommendation #7: Consider expanding the LSS "mailing label system" to accommodate capturing secure mailing address data at the source.

Response: When resources can be made available, the Office of Logistics, Systems Analysis Branch, will perform a feasibility study to determine if it is possible to expand the LSS "mailing label system" to accommodate capturing secure mailing address data at the source.

2. Unless you desire further information, this memorandum concludes our response to subject report.

/s/ James H. McDonald

James H. McDonald

cc: DDA
D/Fin
D/ODP
O/Comp/BMG

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8 AUG 1988

MEMORANDUM FOR: Director of Logistics

VIA: Inspector General *CAF*25X1 FROM:

Chief, Audit Staff

SUBJECT: Report of Audit Appraisal: Contract Information System

1. Attached is the subject report for your information.
2. This report focuses on three aspects of the Contract Information System: Data base integrity, system utilization, and procedures and controls.
3. Please advise me of action taken on the recommendations contained in the report.
4. We wish to express our appreciation for the cooperation and assistance provided by the Office of Logistics CONIF team and the Office of Finance Audit and Certification Division during the audit.

SIGNED

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REPORT OF AUDIT APPRAISAL

OFFICE OF LOGISTICS
CONTRACT INFORMATION SYSTEM

30 April 1980

BACKGROUND

1. In 1965 the Agency recognized a need to rapidly identify contractors with whom the Agency has contractual relationships. The Contract Information (CONIF) system was initially developed in response to this need. Continued efforts to improve it have resulted in a system which now has on-line input, update, and query, as well as invoice payment capabilities.

2. CONIF provides management information to the Office of Logistics (OL) on Agency-funded contracts negotiated by OL's decentralized contracting teams and the OL Procurement Division (PD). In June 1978, in an effort to reduce the turnaround time in processing invoices for payment, CONIF was expanded to provide the Office of Finance (OF) with the capability to process contractor invoice payments through the system.

3. The CONIF on-line data base consists of twelve files containing [redacted] contracts. Retirement of [redacted] settled contracts from the on-line data base to archives was planned for July 1980. The off-line data base, stored on tape, contains nearly [redacted] retired contracts. Most of the Fiscal Year 1979 and 1980 contract invoices are being

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processed and paid through CONIF. An attempt to enter FY 1977 and 1978 contract data into the system to permit payment via CONIF was determined to require an inordinate amount of resources and was subsequently terminated. However, about 21 percent of FY 1978 and 25 percent of FY 1977 contracts were converted during this effort.

SCOPE OF AUDIT

4. A survey performed at the start of the audit identified several areas of audit interest, including:

- evaluation of CONIF's data base integrity (comments begin with paragraph 7),
- determination of the extent of system utilization (comments begin with paragraph 10), and
- verification of the existence of operational procedures and systems controls (comments begin with paragraph 15).

5. Hardware usage, software development, and maintenance performed by the Office of Data Processing (ODP) in support of CONIF consumed \$247,400 in resource dollars during FY 1979. The use of computer hardware in support of CONIF was previously reviewed during the Office of Data Processing audit and was therefore omitted from this audit.

SUMMARY

6. The reliability of CONIF has improved significantly since the last audit appraisal in 1978 as a result of concerted efforts by the

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CONIF input team and OL's contracting teams to assure that quality controls are maintained over input data. Most users of the system, to include OL's contracting teams (CT), OF's budget and fiscal offices (B&F), and OF/Audit and Certification Division (A&CD), generally agree that, beginning with FY 1979 contracts, the data base is reliable. However, some contracting and B&F officers continue to question the reliability of CONIF and consider it an inconvenience with limited value to them in their daily work. Additional training and the increased support of these officers is needed to ensure maintenance of an accurate and reliable contract information data base. The operational procedures and system controls for the CONIF system need to be revised and reissued. Changes in data requirements and increased use of CONIF by A&CD require strict adherence to update schedules and procedures.

DETAILED COMMENTSData Base Integrity

7. The accuracy and reliability of the CONIF data base is of paramount importance to the success of the system and must meet OL's needs for management information as well as the Office of Finance's (OF) requirements for invoice payment. Erroneous data could lead to a decrease in reliance on CONIF by the contracting teams, resulting in continued use and proliferation of manual records with a corresponding underutilization of the automated system. Errors in elements critical to OF could result in incorrect payments or the compromise of sensitive contracts.

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8. A statistical sample of contracts taken from the total population of open contracts in CONIF as of 30 April 1980 was compared to input documents and official hard copy contracts. The review of input documents keyed into CONIF was limited to those entered during the current fiscal year, since input documents over a year old had already been sent to archives.

9. The prior audit of the CONIF data base, conducted in May 1978, identified an error rate affecting more than 36 percent of the active contracts reviewed. During preliminary discussions for the current audit, contracting teams, the CONIF input team, B&F offices, and A&CD personnel expressed their belief that significant improvements in the overall quality of the data base had been achieved and that an error rate of less than 5 percent could be expected. This audit sample of active contracts, which included all fiscal years in CONIF, revealed an error rate of approximately 8 percent. However, nearly half of the errors were related to contracts initiated prior to FY 1979 and can be attributed to the conversion of erroneous data from the manual system and to data entered into earlier versions of the CONIF data base which were considered at that time to be infeasible to correct. While the review confirmed that errors still exist within the system, it also substantiated the opinion of CONIF users that significant improvements have been made and provides assurance that payment information contained in the data base pertaining to FY 1979 and FY 1980 contracts can be considered reliable.

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10. The CONIF data base contains over 500 data attributes relevant to negotiations, invoice payments, various dates, vendor information, etc., that can be queried either on-line or batch processed to obtain special reports. These capabilities are not understood by contracting teams and are not being utilized. Eighty percent of the 25X1 more than [redacted] contracting team members have never accessed the system; some have yet to obtain a password. An analysis of a 1 April 1980 CONIF report showing the last CONIF access date for each user illustrates the problem.

<u>Last CONIF Access</u>	<u>Number of CTs</u>
1 to 5 days	3
1 to 4 weeks	1
1 to 3 months	2
4 to 12 months	2
Passwords never used	10

11. Interviews with contracting teams indicate CONIF would be used more if terminals were readily accessible to team members and if refresher training in CONIF capabilities were available. Lacking access or experience in the use of terminals for queries, contracting team users call on the CONIF input team or A&CD for assistance. Questions relating to the status of a given contract, whether an invoice has been paid, and whether a document has been received, can be easily handled by an individual familiar with the CONIF

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system. Unnecessary calls to the input team or A&CD disrupt the contract processing cycle and result in time lost from processing invoices for payment.

12. Some of the contracting teams expressed the view that "CONIF is primarily a top management reporting tool and is of no use in the day-to-day processing of contracts." Other contracting officers, knowledgeable of CONIF's capabilities, do not share this opinion. For example, some managers in OL have requested special CONIF reports dealing primarily with statistical information at the division or office level about contracts settled, completed or in the settlement process. In other instances team members, after expressing interest in seeing a specific query, schedule or report that would satisfy specific types of information, were surprised to find that CONIF could satisfy their request. CONIF can provide a variety of current information to assist in the day-to-day processing of contracts, such as:

- cutoff dates to schedule workload,
- vendor performance records,
- list of vendors other contracting teams are using,
- information on the timeliness of invoice payments,
- list of documents missing from the contract file,
- total amount of payments made on a contract,
- reports on negotiators working with specific contracts, and

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- flags to list contracts nearing overrun status or running out of funds.

The CONIF data base can be sorted to formulate special reports and to respond to numerous types of queries. Special reports and schedules can be requested and once designed would be available for continual use. On-line queries can also be developed for easy execution by CONIF users.

13. Identification of recurring queries, schedules, and reports needed by contracting teams in their day-to-day contract processing and monitoring activites, in conjunction with the recently completed CONIF user's manual which is primarily designed to aid the contracting teams, would be beneficial. The CONIF/Data Base Manager plans to discuss the user's manual with each contracting team. The discussion will include sample queries, how to initiate queries, CONIF history, and other topics of interest.

Recommendation #1: Survey the contracting teams to determine the reasons for the low utilization of CONIF and take the corrective actions necessary.

Recommendation #2: Establish a familiarization and training program for contracting team members and other CONIF users.

Contracts in the CONIF Data Base

14. Some contractual arrangements are excluded from the CONIF data base either because they were not intended to be entered into the system or because contracting teams have not followed the guidance

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provided to them. The original CONIF user's manual included a general statement that bilateral contracts in excess of \$10,000 should be entered into CONIF, but made no reference to purchase orders and some other less common contractual arrangements. More explicit guidance was provided by the Director of Logistics in a 1975 memorandum; it did not, however, resolve the status of purchase orders. The contracting teams, with responsibility for entering the contract data into CONIF, have interpreted the guidance in varying ways, leading to uncertainty about what the CONIF data base contains or should contain. While there is agreement that bilateral contracts in excess of \$10,000 should be included, some less common types of arrangements are handled differently by the teams. Examples include:

- purchase orders over \$10,000,
- purchase orders over \$10,000 on General Services Administration schedules,
- delivery orders,
- service and maintenance contracts,
- stock item purchase orders,
- collect on delivery contracts, and

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15. The Office of Logistics is considering whether to include purchase orders in the CONIF data base. CONIF's usefulness and reliability would be improved if guidelines defining what should

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be included in CONIF were brought up to date and contracting teams were required to comply with the guidelines.

Recommendation #3: Provide up-to-date guidelines about what contracts to include in CONIF and require contracting teams to follow the guidelines.

16. New contracts received in A&CD are verified to the CONIF data base using a list of data elements produced on the Texas Instrument 700 printer. These data elements can be obtained in two ways: by an A&CD request for all data elements in the contract file, or by the use of a Generalized Information Management System function called a correlative, which is a predetermined list of selected data elements stored in the file. The use of a correlative would speed the manual verification process, as unwanted data would be suppressed. A&CD has access to two correlatives at this time, but has not used them regularly because they do not satisfy their information requirements. Additional correlatives could be setup with the help of the CONIF input team to respond to recurring requests from vendors and contracting teams.

Recommendation #4: Identify elements needed by A&CD to update existing correlatives and consider developing additional correlatives.

RQ/ADD Procedure

17. When a contract is negotiated, a copy is sent to the appropriate B&F officer, who records the obligation on an All Purpose Obligation Document (APOD) and enters it into the General Accounting System (GAS).

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The B&F officer links contract obligation data from GAS to the CONIF system using an on-line procedure in CONIF called RQ/ADD. Once the obligation and contract data have been successfully linked, via the RQ/ADD procedure, A&CD can use the updated CONIF to make contract payments.

18. Interviews with selected B&F officers revealed common frustrations over the RQ/ADD procedure concerning the inconvenience of the procedure and the difficulty of linking the contract and obligation data, as well as serious concern about the value of CONIF to them. Three possible reasons for these opinions are that the GAS/CONIF update was not performed at regular intervals; many B&F officers are not fully aware of the CONIF processing cycle; and some B&F offices do not have sufficient CONIF activity to maintain familiarity with system capabilities.

19. During the first four months of CY 1980 there was a lag of from one to five days to update CONIF after the APOD was keyed into GAS. Given the procedures involved, including an overnight hold by the ODP Production Division to ensure that the GAS transactions for the day are correct, it seems that the CONIF update should be completed in about one day. Because of the irregularity of CONIF updates by the ODP Production Division, B&F officers lack a sense of urgency in the initiation of the RQ/ADD procedure; with the known problems in the timely payment of contractor invoices and the increasing reliance on CONIF in the payment process, all offices involved should make every effort to maintain CONIF in a current status.

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Recommendation #5: Assure that B&F officers initiate the RQ/ADD procedure to update CONIF on a timely basis.

Recommendation #6: Require the ODP Production Division to create and run the GAS/CONIF update each day.

Secure Mailing Addresses

20. An important element within the CONIF data base is the secure mailing address. This address is used for Agency correspondence with contractors performing tasks covered by classified contracts, which include about 70 percent of the contracts in the CONIF data base. The Office of Logistics Security Staff (LSS) is responsible for establishing secure addresses.

21. When an acceptable secure mailing address is determined for a vendor, LSS prepares a Contractor Approved Address Notice (Form 2663), which is currently sent to eleven different offices. LSS also inputs the address data into its "mailing label system."

22. The CONIF input team receives a copy of secure address notices and, using the information on the form, inputs the address data for each affected active contract. The team also prepares an index file card for use as a ready reference for current vendor addresses. Without this index file, a time-consuming search of CONIF would be required each time a classified contract is added to the data base.

23. The secure mailing data is presently being typed at least four times: twice by LSS (onto the Contractor Approved Address Notice

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and into the "mailing label system") and twice by the CONIF input team (keyed into the data base and to the index file). When there are multiple open contracts with a vendor, CONIF must be updated with the address keyed in for each contract. The "mailing label system" could be modified to provide for capturing the data at the source (LSS), thus avoiding unnecessary keying. Modification of the mailing label system would not only accommodate the address label function, but could also provide for printing the required copies of computer-generated contractor-approved address notices for distribution. With enhancements to CONIF that would permit the mailing label system to update the secure address and to modify CONIF storage capability to accommodate multiple approved addresses for each vendor, the CONIF input team could be eliminated from the secure address input process. A work order to ODP requesting the multiple addresses enhancement was submitted in January 1980. If the vendor address file could accommodate receiving data directly from the expanded labeling system, data handling of the secure mailing address would be cut from four or more to one, with one office having update responsibility.

 Recommendation #7: Consider expanding the LSS "mailing label system" to accommodate capturing secure mailing address data at the source.

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